

**Hartford Township
Van Buren County, Michigan**

**Financial Report
with Additional Information**

March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Hartford Township	County Van Buren
Audit Date March 31, 2004	Opinion Date June 22, 2004	Date Accountant Report Submitted To State: August 15, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances /retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085-2180
Accountant Signature <i>Plante & Moran, PLLC</i>			

Hartford Township

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Independent Auditor's Report

Members of the Township Board
Hartford, Michigan

We have audited the accompanying general purpose financial statements of Hartford Township, as of March 31, 2004 and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Hartford Township management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group that should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Assets Account Group is not known.

In our opinion, except for the effect on the financial statements of the omission as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hartford Township as of March 31, 2004 and the results of its operations and cash flows of its nonexpendable trust fund type for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 22, 2004

Hartford Township

Combined Balance Sheet – All Fund Types

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only) March 31	
	General	Special Revenue	Trust and Agency	2004	2003
Assets					
Cash and cash equivalents (Note 2)	\$ 324,936	\$ 186,438	\$ 104,478	\$ 615,852	\$ 566,225
Due from fiduciary funds	4,125	-	-	4,125	3,082
Delinquent taxes receivable (Note 3)	8,014	10,031	-	18,045	17,024
Total assets	<u>\$ 337,075</u>	<u>\$ 196,469</u>	<u>\$ 104,478</u>	<u>\$ 638,022</u>	<u>\$ 586,331</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 7,631	\$ -	\$ -	\$ 7,631	\$ 37,752
Accrued liabilities	1,291	-	-	1,291	2,008
Due to General Fund	-	-	4,125	4,125	3,082
Due to other governmental units	-	-	75,423	75,423	28,319
Total liabilities	8,922	-	79,548	88,470	71,161
Fund Balances					
Reserved for Cemetery Perpetual Care	-	-	24,930	24,930	24,930
Unreserved	328,153	196,469	-	524,622	490,240
Total fund balances	<u>328,153</u>	<u>196,469</u>	<u>24,930</u>	<u>549,552</u>	<u>515,170</u>
Total liabilities and fund balances	<u>\$ 337,075</u>	<u>\$ 196,469</u>	<u>\$ 104,478</u>	<u>\$ 638,022</u>	<u>\$ 586,331</u>

Hartford Township

Combined Statement of Revenue, Expenditures and Changes in Fund Balances – General and Special Revenue Fund Types

			Totals (Memorandum Only)	
	Governmental Fund Types		Year Ended March 31	
	General	Special Revenue	2004	2003
Revenue				
Property taxes	\$ 58,802	\$ 67,978	\$ 126,780	\$ 124,130
State sources	258,385	990	259,375	281,980
Licenses and permits	18,712	-	18,712	12,832
Charges for services	16,448	-	16,448	16,177
Interest	2,668	455	3,123	5,017
Other	6,747	-	6,747	13,577
Total revenue	361,762	69,423	431,185	453,713
Expenditures				
General government	124,409	-	124,409	126,156
Public safety	95,428	-	95,428	84,674
Highways and streets	-	114,587	114,587	164,543
Other	62,771	772	63,543	68,553
Total expenditures	282,608	115,359	397,967	443,926
Excess (Deficiency) of Revenue Over Expenditures	79,154	(45,936)	33,218	9,787
Other Financing Sources (Uses)				
Transfers in	1,164	30,562	31,726	65,664
Transfers out	(30,562)	-	(30,562)	(65,664)
Total other financing sources (uses)	(29,398)	30,562	1,164	-
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	49,756	(15,374)	34,382	9,787
Fund Balances - Beginning of year	278,397	211,843	490,240	480,453
Fund Balances - End of year	<u>\$ 328,153</u>	<u>\$ 196,469</u>	<u>\$ 524,622</u>	<u>\$ 490,240</u>

Hartford Township

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 82,543	\$ 58,802	\$ (23,741)
State sources	255,782	258,385	2,603
Licenses and permits	20,567	18,712	(1,855)
Charges for services	15,956	16,448	492
Interest	-	2,668	2,668
Other	2,046	6,747	4,701
Total revenue	376,894	361,762	(15,132)
Expenditures			
General government	125,461	124,409	1,052
Public safety	101,729	95,428	6,301
Highways and streets	-	-	-
Other	60,615	62,771	(2,156)
Total expenditures	287,805	282,608	5,197
Excess (Deficiency) of Revenue Over Expenditures	89,089	79,154	(9,935)
Other Financing Sources (Uses)			
Transfers in	-	1,164	1,164
Transfers out	(60,000)	(30,562)	29,438
Total other financing sources (uses)	(60,000)	(29,398)	30,602
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	29,089	49,756	20,667
Fund Balances - Beginning of year	278,397	278,397	-
Fund Balances - End of year	<u>\$ 307,486</u>	<u>\$ 328,153</u>	<u>\$ 20,667</u>

**Combined Statement of Revenue, Expenditures and
Changes in Fund Balances – Budget and Actual –
General and Special Revenue Funds
Year Ended March 31, 2004**

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 71,183	\$ 67,978	\$ (3,205)
990	990	-
-	-	-
-	-	-
-	455	455
-	-	-
72,173	69,423	(2,750)
-	-	-
-	-	-
142,422	114,587	27,835
772	772	-
143,194	115,359	27,835
(71,021)	(45,936)	25,085
60,000	30,562	(29,438)
-	-	-
60,000	30,562	(29,438)
(11,021)	(15,374)	(4,353)
211,843	211,843	-
<u>\$ 200,822</u>	<u>\$ 196,469</u>	<u>\$ (4,353)</u>

Hartford Township

Statement of Revenue and Expenses Non-expendable Trust Fund

	Year Ended March 31	
	2004	2003
	(Memorandum only)	
Interest	\$ 1,164	\$ -
Operating transfer out	(1,164)	-
Net Income	-	-
Fund Balance - Beginning of year	24,930	24,930
Fund Balance - End of year	<u>\$ 24,930</u>	<u>\$ 24,930</u>

Hartford Township

Statement of Cash Flows Non-expendable Trust Fund

	Year Ended March 31	
	2004	2003
	(Memorandum Only)	
Cash Flows from Operating Activities		
Operating loss	\$ (1,164)	\$ -
Cash Flows from Operating Activities		
Interest received on investments	<u>1,164</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - Beginning of year	<u>24,930</u>	<u>24,930</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 24,930</u></u>	<u><u>\$ 24,930</u></u>

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units except that the Township does not maintain a General Fixed Assets Account Group. The following is a summary of the significant accounting policies:

Reporting Entity – The Township is governed by an elected five-member Board of Trustees. As required by generally accepted accounting principles, these financial statements present the Township of Hartford. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Fund Accounting – The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds

General Fund – The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenues from general property taxes, state-shared revenues and other sources.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of earmarked revenues or financing activities requiring separate accounting because of legal or regulatory provisions.

Fiduciary Funds

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include the Cemetery Trust Fund and the Agency Funds. The Cemetery Trust Fund is a non-expendable trust fund and is accounted for in the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Note I – Summary of Significant Accounting Policies (Continued)

Basis of Accounting – The accrual basis of accounting is used by the Cemetery Trust Fund. All Governmental Funds and Agency Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year.

- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Cash Equivalents – For purposes of the statement of cash flows, the Cemetery Trust Fund (Nonexpendable Trust Fund) considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fixed Assets – The Township does not maintain a record of its general fixed assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Memorandum Only Totals – The total data presented is the aggregate of the fund types and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 – Deposits

The Township's deposits at March 31, 2004 included on the balance sheet totaled \$615,852.

Deposits – The above deposits were reflected in the accounts of the bank (without recognition of checks written but not cleared or deposits in transit) at \$630,967. Of that amount, \$200,000 was covered by federal depository insurance and \$430,967 was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 – Property Taxes Receivable

The delinquent real property taxes of the Township are purchased by the County of Van Buren. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these property taxes. It is anticipated this will take place in May 2004. These taxes have been recorded as revenue for the year ended March 31, 2004.

Note 4 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all these types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 5 – Budget Information

The annual budget is prepared by the Township Treasurer on behalf of the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated.

The budget has been prepared in accordance with generally accepted accounting principles. The budget statement (combined statement of revenues, expenditures and changes in fund balances – budget and actual – general and special revenue fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Township Board is included in additional information. This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the Special Revenue Funds budgets as adopted by the Township Board is available at the clerk's office for inspection.

Significant budget overruns during the year ended March 31, 2004 were as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
Legislative	\$ 30,594	\$ 35,325
Drains	1,328	3,763

Note 6 – Defined Contribution Retirement Plan

The Township has a defined contribution pension plan covering the members of the Township Board and the sexton. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes a set amount based on the participant's annual compensation. The Township made contributions of \$6,209 and \$5,802 during the current year for the years ended March 31, 2004 and 2003, respectively. The plan is fully vested after twenty months of service.

Note 7 – Joint Ventures

The Township, along with the City of Hartford, is a member of the Hartford Fire Board. If the Fire Board were ever dissolved, the net assets would be shared on a prorata basis as follows: 50 percent to Hartford Township and 50 percent to City of Hartford. However, the Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Fire Board is governed by an administrative board of five members consisting of two members each from both the Township of Hartford and the City of Hartford. A fifth member is chosen by the other four appointees.

Complete financial statements for the Fire Board can be obtained from the City of Hartford Mayor's office.

Note 8 – Construction Code Fees

The Township oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Balance - March 31, 2003		\$	-
Building permit revenue			16,756
Related expenses:			
Direct costs	16,109		
Estimated indirect costs	<u>647</u>		
Total construction code expenses			<u>16,756</u>
Balance - March 31, 2004		\$	-

Note 9 – Upcoming Reporting Change

For the year beginning April 1, 2004, the Township will adopt GASB Statement Number 34. This will dramatically revise the information being reported in these statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro-forma data that would show the effect of this future change.

Note 10 – Subsequent Events

After year end, the Township Board approved road improvement expenditures totaling approximately \$150,000. The expenditures will be made out of County Road Commission and existing Township funds.

Members of the Township Board
Hartford Township, Michigan

We have audited the financial statements of Hartford Township for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Hartford Township. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

June 22, 2004

Hartford Township

General Fund Schedule of Revenue - Budget and Actual Year Ended March 31, 2004

	Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Taxes				
Current	\$ 49,562	\$ 35,257	\$ (14,305)	\$ 33,721
Delinquent	17,669	6,104	(11,565)	5,501
Administration	15,312	17,441	2,129	17,686
Total taxes	82,543	58,802	(23,741)	56,908
State Shared Revenues	255,782	258,385	2,603	280,976
Licenses and Permits	20,567	18,712	(1,855)	12,832
Charges for Services				
Cemetery	14,900	14,900	-	15,925
Driveway culverts	1,056	1,548	492	252
Total charges for services	15,956	16,448	492	16,177
Interest and Rent	-	2,668	2,668	5,017
Other	2,046	6,747	4,701	13,577
Total revenues	<u>\$ 376,894</u>	<u>\$ 361,762</u>	<u>\$ (15,132)</u>	<u>\$ 385,487</u>

Hartford Township

General Fund Schedule of Expenditures – Budget and Actual Year Ended March 31, 2004

	Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
General Government				
Legislative	\$ 30,594	\$ 35,325	\$ (4,731)	\$ 42,351
Township Supervisor	19,153	19,153	-	17,153
Elections	3,710	3,679	31	9,714
Assessor	8,636	8,561	75	3,562
Clerk	18,402	17,964	438	16,546
Board of Review	1,953	2,153	(200)	1,515
Treasurer	16,081	16,082	(1)	11,678
Buildings and grounds	6,866	3,421	3,445	7,672
Planning and zoning	20,066	18,071	1,995	15,965
Total general government	125,461	124,409	1,052	126,156
Public Safety				
Fire department	85,472	78,769	6,703	73,198
Building inspections	8,689	8,981	(292)	6,195
Ambulance	550	550	-	491
Electrical inspections	4,508	4,518	(10)	2,710
Mechanical inspections	2,510	2,610	(100)	2,080
Total public safety	101,729	95,428	6,301	84,674
Other				
Cemetery	48,430	48,912	(482)	57,448
Drains	1,328	3,763	(2,435)	3,783
Road committee	161	160	1	79
Refuse collection	-	160	(160)	-
Insurance	10,696	9,776	920	6,494
Total other	60,615	62,771	(2,156)	67,804
Total expenditures	<u>\$ 287,805</u>	<u>\$ 282,608</u>	<u>\$ 5,197</u>	<u>\$ 278,634</u>

Hartford Township

Special Revenue Funds Combining Balance Sheet

				March 31	
	Road	Cemetery Maintenance Memorial	Liquor Enforcement	2004	2003
Assets					
Cash and cash equivalents	\$ 169,301	\$ 4,117	\$ 13,020	\$ 186,438	\$ 202,620
Delinquent taxes receivable	<u>10,031</u>	<u>-</u>	<u>-</u>	<u>10,031</u>	<u>9,223</u>
Total assets	<u><u>\$ 179,332</u></u>	<u><u>\$ 4,117</u></u>	<u><u>\$ 13,020</u></u>	<u><u>\$ 196,469</u></u>	<u><u>\$ 211,843</u></u>
Fund Balances	<u><u>\$ 179,332</u></u>	<u><u>\$ 4,117</u></u>	<u><u>\$ 13,020</u></u>	<u><u>\$ 196,469</u></u>	<u><u>\$ 211,843</u></u>

FUNDS

Hartford Township**Special Revenue Funds
Combining Statement of Revenue, Expenditures and
Changes in Fund Balances**

				Year Ended March 31	
	Road	Cemetery Maintenance Memorial	Liquor Enforcement	2004	2003
Revenue					
Taxes	\$ 67,978	\$ -	\$ -	\$ 67,978	\$ 67,222
State sources	-	-	990	990	1,004
Interest	-	455	-	455	-
Total revenue	67,978	455	990	69,423	68,226
Expenditures					
Highways and street	114,587	-	-	114,587	164,543
Other	-	-	772	772	749
Total expenditures	114,587	-	772	115,359	165,292
Excess (Deficiency) of Revenue Over Expenditures	(46,609)	455	218	(45,936)	(97,066)
Other Financing Sources					
Transfers in	30,562	-	-	30,562	65,664
Excess (Deficiency) of Revenue and Other Sources Over Expenditures	(16,047)	455	218	(15,374)	(31,402)
Fund Balances - Beginning of year	195,379	3,662	12,802	211,843	243,245
Fund Balances - End of year	<u>\$ 179,332</u>	<u>\$ 4,117</u>	<u>\$ 13,020</u>	<u>\$ 196,469</u>	<u>\$ 211,843</u>

Hartford Township

Trust and Agency Funds Combining Balance Sheet

	Non- expendable Trust Fund	Agency Funds		March 31	
	Cemetery Trust	Trust and Agency	Tax Collection	2004	2003
Assets					
Cash and cash equivalents	<u>\$ 24,930</u>	<u>\$ 24,750</u>	<u>\$ 54,798</u>	<u>\$ 104,478</u>	<u>\$ 56,331</u>
Liabilities and Fund Balance					
Liabilities					
Due to other funds	\$ -	\$ 4,125	\$ -	\$ 4,125	\$ 3,082
Due to other governmental units	<u>-</u>	<u>20,625</u>	<u>54,798</u>	<u>75,423</u>	<u>28,319</u>
Total liabilities	-	24,750	54,798	79,548	31,401
Fund Balance					
Reserved for perpetual care	<u>24,930</u>	<u>-</u>	<u>-</u>	<u>24,930</u>	<u>24,930</u>
Total liabilities and fund balance	<u>\$ 24,930</u>	<u>\$ 24,750</u>	<u>\$ 54,798</u>	<u>\$ 104,478</u>	<u>\$ 56,331</u>

To the Members of the Township Board
Hartford Township
Hartford, Michigan 49057

In planning and performing our audit of the financial statements of Hartford Township for the year ended March 31, 2004, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

SEGREGATION OF DUTIES

Control over cash transactions is limited because of insufficient segregation of duties due to a limited number of personnel. Management feels that it would not be cost effective to hire additional personnel at this time.

BANK RECONCILIATIONS

Bank reconciliations were not prepared on a timely basis throughout the year. In addition, when the bank accounts were reconciled at year-end, there was not an independent review of the reconciliations for the Tax Fund and Trust and Agency Fund. We recommend that the reconciliations be prepared on a monthly basis by the Deputy Treasurer and reviewed by the Treasurer. We understand that this procedure is already in the process of being implemented.

OLD OUTSTANDING CHECKS

During the audit, we noted several old outstanding checks from previous years as far back as 2001. We recommend that the Township consider following up on these checks and making appropriate adjustments.

CONTROL OVER CASH RECEIPTS

During the course of our testing of cash receipts, we noted that deposits were not made very frequently. It is our understanding that the Township started making regular deposits at least on a weekly basis late in the fiscal year. We believe this procedure is acceptable.

STATE SHARED REVENUE

Municipalities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 71% of the Township's total General Fund revenue for the fiscal year ended March 31, 2004. Slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions.

While it is generally acknowledged that the State's budget woes will continue for several more years, we urge the Township to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

COMBINATION OF FUNDS

The Township continues to maintain a separate fund for liquor license refunds. While it is acceptable to maintain this separate fund, Township records could be simplified by combining this fund into the General Fund as a separate activity. This would reduce the preparation and adoption of one budget, eliminate separate reporting of this fund, and reduce the overall reconciliation process.

MAINTENANCE OF TOWNSHIP RECORDS

During the fiscal 2003 audit, we noted that some of the Township's records were being stored off-sight at a board member's personal residence. The majority of all accounting records are now housed at Township Hall and we commend the Board for their diligence in resolving this issue.

FINANCIAL POLICIES

We commend the Township on adopting a Resolution for Electronic Funds Transfers during the period after year-end. In addition, the Township may want to consider adopting a credit card policy in anticipation of a possible future use of credit cards.

During our testing, the Township could not locate a copy of the investment policy adopted several years ago. We recommend that the Township approve a new investment policy and maintain a copy of that policy at Township Hall.

NEW REPORTING MODEL – GASB 34

As you know, the Township will adopt a new accounting standard, GASB 34, beginning April 1, 2004. GASB 34 will significantly change the Township's financial statements, adding additional time and effort to produce them. Understanding the implications of this pronouncement is crucial, as the Township will need to develop a specific plan on how to derive some of the new data that will be required by the new rules. We will be working with Township staff after the fiscal 2004 audit is complete to lay out a game plan.

We appreciate the courtesy and cooperation extended to us by you and members of your staff during the audit. We also appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

Plante & Morse, PLLC

June 22, 2004